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1996

PUBLIC BUDGETING & FIN. MNGMT., 8(1), 26-46 SPRING 1996

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ABSTRACT. Budgets have to meet a number of principles in order to fulfil their functions properly. This paper focuses on two of these budget principles. First, it addresses the principle of unity and universalism, and in particular, discusses the issue of earmarking receipts. It is concluded that most of the perceived benefits of special fund accounting do not occur in practice. Second, the paper deals with the principle of an efficient division of the budget. It is concluded that the credibility of the main argument in term of a capital budget, being that it reinforces the allocation function of the budget, is questionable.

INTRODUCTION

In private profit-seeking organizations, many budgets are more like targets than plans. Resources are provided through the marketplace so that budgets reflect what managers hope to achieve rather than what they can actually bring about. Accountability procedures thus tend to stress outcome rather than comparisons with the budget. This is quite distinct from the budgets of public sector bodies, where budgets are a mechanism for transferring funds to these

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bodies and represent a statement of planned future operations (Rutherford, 1983: 61). A public body's budget fulfills several functions. Traditionally, three primary functions are assigned to government and, consequently, to its budget (Musgrave and Musgrave, 1976: 6-7).

Allocation Function. This function pertains not only to the process by which total resource use is divided between private and social goods, but also to the process by which the public sector allocates resources to alternative social goods.

Distribution Function. Governments usually consider it their task to influence the distribution of income and wealth such that the resulting distribution is "reasonable" or "acceptable". This is a less ambitious, though not clearer objective than aiming at a "fair" or "just" distribution.

Stabilization Function. Contrary to the former two functions, which are microeconomic in orientation, the stabilization function is macroeconomic in orientation. Governments are held responsible for macroeconomic goals, such as a high level of employment, an appropriate rate of economic growth, a stable balance of payments, and a reasonable degree of price stability.

In addition to these traditional and general (or social) functions of the budget, at least three other functions can be discerned which are relevant to government or particular public bodies.

Authorization Function. This refers to the power of the purse: the legislature has the right to approve public expenditure. In principle, the government is not entitled to spend money without prior parliamentary consent. The Dutch budget is composed of a set of separate budget laws of which a number are -somewhat misleadingly- called budget chapters.(1) This offers the legislature the opportunity to exert influence on what government can and cannot do.

Internal Control Function. The budget serves as an instrument to the executive to prepare its policies, while it can also be used as an internal control mechanism by management. The division of the budget in chapters is also useful with regard to the internal control function, since budget chapters mirror the tasks carried out by individual government departments and agencies.

External Control Function. This function may also be called the accounting and auditing function. The budget is the basis for providing account (by government) and of surveillance (by the General Accounting Office). The government is not only accountable with regard to the legitimacy of public expenditure, but also with respect to efficiency.(2)

The foregoing gives rise to a number of principles that budgets have to meet in order to fulfil their functions properly:

Promulgation. In a democratic society, promulgation of the budget is not only natural, but also necessary to enable the public at large to form its own judgment about planned policies. This principle of promulgation pertains to budgetmaking, budget execution and external control.

Prior Consent. The authorization function implies that the legislature approves public expenditure prior to the actual spending. A prerequisite for this is that the budget be established prior to the time period of concern.

Unity and Universalism. To permit the legislature to exert its power of the purse, it is essential that the budget be as complete as possible. Thus, all expenditures and all receipts have to be included in one comprehensive document (or set of documents). Outlays should not be covered off-budget, nor should they be balanced against certain revenues. The legislature's view of all activities carried out by public bodies would be seriously hindered if certain receipts are netted against gross outlays and the budget only includes net outlays. In the latter case, the resultant spending totals would effectively understate the true level of public expenditure.

Periodicity. Both the authorization function and the stabilization function require that a budget be submitted to the legislature at regular intervals, for example every one or two years.

Efficient Division. The division of the budget should offer a clear insight into the expenditure and receipts of the public sector. From the viewpoint of the authorization function, it ought to be clear to the legislature who is responsible for appropriated funds. The allocation function requires a *functional* classification, that is a presentation of budgetary data in terms of major purposes being served (for instance education, health, national defense, agriculture, etc.). The stabilization function requires an *economic* classification, that is to say a presentation of budgetary data in terms of economic categories (for example consumption, investment, income transfers, and so forth).

This paper focuses on two of these budget principles. First, it addresses the principle of unity and universalism, and in particular, discusses the issue of earmarking receipts. Second, the paper deals with the principle of efficient division of the budget, and focuses on the issue of the capital budget. In addition, arguments for and against special fund accounting, a typology of fund accounts and a brief review of the Dutch experience are presented. The issue of capital budgeting is then discussed by describing some historic trends, addressing the arguments for and against a capital budget, and reviewing the Dutch practice. The final section presents a summary and conclusions.

SPECIAL FUND ACCOUNTING

Pros and Cons of Special Funds

Arguments for and against special fund accounting can be classified in different categories: economic, financial-managerial, political, and administrative (Goudswaard & van de Kar, 1993: 8-11).

Economic Arguments. Economic arguments focus on an efficient allocation of resources. Generally, the economic literature emphasizes that earmarking receipts is poor budgeting procedure, since it introduces rigidities. While some functions may have more funds than needed, a few may be starved of funds, which adversely affects priorities. Earmarking does not allow for a proper allocation of general revenue among competing uses. However, Musgrave and Musgrave (1976: 215) argue that particular taxes may be linked to particular expenditures because certain tax payments (for example gasoline taxes) are held to be approximate charges imposed on the consumer. An argument in support of earmarked taxes has also been advanced by Buchanan (1963). He points out that the earmarking of taxes may be a helpful device for approximating benefit taxation. This boils down to the assumption that voting on particular taxes with specified expenditure votes induces preference revelation and, therefore, contributes to better expenditure decisions. Basically the same argument, but seen from another perspective, is that earmarking may limit the extent to which a government can exploit the taxpaying public (Brennan & Buchanan, 1980: 152).

From the viewpoint of allocative efficiency, earmarking only makes sense if agents are free to vary their use of the provision in accordance with their preferences. Linking some tax to elementary education, for instance, does not contribute to an efficient allocation, since elementary education is compulsory. As a result, individual agents cannot vary the quantity consumed.

Financial Management Arguments. One financial management argument to advocate special fund accounting is that government is very pluriform, so it seems unlikely that one set of financial management rules fits all government activities. This may imply that certain activities can be best funded from general fund accounts and other activities from special fund accounts, possibly with diverse financial management rules, such as the possibility of creating a financial reserve. For instance the instability of revenues from natural gas may also be put forward as an argument for separating these revenues from the regular budget. Related to this is the idea of a buffer fund for expenditure resulting from certain risks.

Political Arguments. Decisionmakers may want to carve out certain expenditure from regular prioritization, for example, to escape some cutback operation. Or, they may want to withdraw certain expenditure from the prevailing budget norms.

Administrative Arguments. Administratively, earmarking may lend credibility to the view that the government has no real budget. The prevalence of earmarked funds may contribute to the promotion of an "enclave mentality" in those responsible for administering such funds. This argument is similar to the economic argument focusing on allocative efficiency. When flush with funds, administrators may engage in overinvestment in their spheres of activities (Premchand, 1983: 159-160). Administrative arguments such as decentralization of management and service provision may be put forward to advocate special fund accounting. This permits shared responsibilities, for example, if central government remains responsible for policymaking (such as the determination of service levels), while local governments are responsible for policy implementation (such as the actual service provision).

In brief, the arguments in favor of special fund accounting are:

- earmarking may contribute to an efficient allocation,
- special fund accounting permits appropriate managerial rules, such as the creation of a financial reserve,
- special fund accounting may protect expenditure against instable revenues, and
- special fund accounting permits shared responsibilities.

The arguments against special fund accounting can be summarized as follows:

- earmarking may introduce rigidities in the budget procedure. In particular it may harm a general and comprehensive consideration of expenditure;
- special fund accounting may harm the organization of the budget; and
- special fund accounting may hinder general control.

Typology

The U.S. General Accounting Office (1993a: 4-6) discerns two main groups of funds: Federal Funds and Trust Funds. All federal fund and trust fund accounts are included within the budget unless they are excluded from the budget by law. In the latter case, they are classified as being off-budget. The group of Federal Fund Accounts includes the following accounts:

- General Fund Accounts, including both General Fund Receipt and General Fund Expenditure Accounts;
- Special Fund Accounts, including both Special Fund Receipt and Special Fund Expenditure Accounts;
- Public Enterprise Revolving Fund Accounts; and
- Intragovernmental Fund Accounts, including both Intragovernmental Revolving Fund Accounts and Management Fund Accounts.

The group of Trust Fund Accounts includes:

- Trust Fund Receipt Accounts,
- Trust Fund Expenditure Accounts, and
- Trust Revolving Fund Accounts.

This typology of fund accounts is much more detailed than the Dutch typology, which is created by a fundamental difference in budget structure. In the Netherlands, fund accounts are exceptions to the normal budgetary structure in the Netherlands while they form the basis of the U.S. governmental accounting system. As Coe (1989: 14) describes, the latter "is organized around the basic accounting concept of a fund, which is an accounting entity with a self-balancing set of accounts segregated to carry out specific activities."

The budget of the central government in the Netherlands, as noted earlier, consists of a set of budget laws. The *Government Account Act* rules in article 1, that the central government budget includes:(3)

- the budget of the Royal Family,
- the budget of the High Councils of State and the Queen's Cabinet,
- the budget of the National Debt,
- the budgets of the ministries, and
- the budgets of the budgetary funds.

In addition to the explicitly mentioned budget chapters, the government may add and delete other chapters.

Article 2 of the *Government Account Act* rules that "budgetary funds" may be constituted for the purpose of separate management. A budgetary fund must be constituted by law. This law has to determine the nature of the fund's expenditure and revenues, how a possible surplus is to be used and how a possible deficit is to be covered. In addition, the law must specify which of the Cabinet ministers is to be responsible for the fund.

Practice

The treatment of special funds differs between member countries of the European Union (EU). This has been shown by characterizing national budgeting procedures in the EU on the basis of an assessment of information provided by the European Commission (Von Hagen, 1992: 38-43).(4) Three member-countries, Greece, Italy, and Belgium, appear to use special funds and off-budget activities extensively.(5) In all other member-countries, off-budget operations are very limited and special funds are either included in the budget or reported as part of it.(6)

Goudswaard and van de Kar (1993) have listed all budgetary funds existing in the Netherlands in 1993. They found that there were 11 "true" budgetary funds, that is to say funds constituted on the basis of the *Government Account Act*.(7) In addition to these true budgetary funds, however, 45 other funds were in existence in 1993.(8) These other funds are considered "false" budgetary funds, since they have not been constituted on the basis of the *Government Account Act*. Often they are formed by the process of grouping and labeling budget items, or by taking the form of specific grants.

An evaluation of the true budgetary funds reveals that most of the perceived benefits of special fund accounting are questionable in practice. An evaluation of the false budgetary funds shows that administrative arguments prevail. Here the picture is mixed: some of the funds function quite well, others do not. Special funds often serve as a symbol. Though this may bring with it associations for people that create a discipline for individual behavior in favor of larger goals (Miller, 1991: 99), it does not contribute to rational budgetary decisionmaking. Even if there are good reasons for special fund accounting, the drawbacks appear to be real, in particular the hindrance of a general and comprehensive consideration of all expenditure. One of the arguments for special fund accounting is the possibility of creating a financial reserve. Though a valid argument in itself, it has lost much significance as a result of recent amendments to the *Government Account Act*, leading to more room for financial reserves under the regular budgetary rules (Rekenkamer, 1995: 23).

There is a relationship between the arguments for special fund accounting and the arguments for restructuring the current unified budget to include an operating and a capital component within the budget.(9) The restructured budget would identify the revenues, investments, and capital financing needs for capital investments, and it would clearly distinguish them from current operating amounts and deficits. The underlying idea is that drawing a distinction between capital financing and operating deficits will provide the executive and the legislature with a more sound approach to deficit reduction. This will also correct a budget bias against capital programs, thereby improving allocative efficiency. The issue of capital budgeting, however, will be dealt with in the next section.

CAPITAL BUDGETING

History

The idea of a capital budget is far from new. The Dutch constitution of 1815 required a division of the budget into current and capital budgets. A persistent problem, however, is the distinction between current spending and capital outlays. This question has always been closely related to the "golden rule".(10) According to this budgetary norm, borrowing for capital outlays is allowed, but not for current expenditures. This renders the question about how to discriminate between current and capital outlays even more urgent. In the course of time, at least five criteria have been applied to this issue (Flier & Ros, 1990: 14-16).

Direct Return. This criterion limits government borrowing to those expenditure that yield future revenues in sufficient amounts to pay the interest and redemptions. As a result, no future tax increase will be necessary.

Productivity or Indirect Return. This criterion is related to the direct return criterion in that it also aims to avoid future tax increases. It differs, however, in that it takes into account that some public expenditure may produce higher revenues in an indirect way, for example as a result of a higher level of economic activity created by public expenditure.

Durable Benefit. According to this criterion, all expenditure for facilities that contribute to the satisfaction of needs for a period exceeding one year can be considered capital outlays.

Wealth Principle. This criterion allows for the recording of outlays on the capital budget if they generate an equally large increase of public wealth. This is based on the idea that current expenditure decreases public wealth, which can be compensated for by current receipts, whereas capital outlays merely lead to a change in the composition of public wealth.

Periodicity. According to this criterion, borrowing is only allowed for occasional or occasionally high outlays. This is a method to avoid severe fluctuations in the tax burden.

In the Netherlands, the periodicity criterion was particularly emphasized in the second half of the 19th century. At the end of the century, the emphasis gradually shifted towards the productivity criterion, whereas at the beginning of the 20th century the criterion of direct return was adopted. After World War II, the wealth criterion was introduced. Though the enactment of the first *Government Account Act* in 1927 marked the first legal distinction between current and capital outlays, the act failed to provide a clear criterion for this distinction and left it to the Finance Minister to decide upon this matter.

The golden rule prevailed until World War II, at least in theory. After World War II, the Keynesian revolution led to the introduction of a cyclical budget norm. In the 1950s, it became obvious that functional finance or "fine-tuning" of the budget is a superb theoretical idea that faces many problems in practice.[11] Thus, in the early 1960s the cyclical budget norm was replaced with a so called structural budget policy.[12] Despite the experience of the 1950s, however, functional finance continued to be found into the 1970s, albeit as a policy supplementary to the structural policy. Although the distinction between current and capital outlays remained to be made formally until 1977, it had lost much of its significance from the 1950s due to the Keynesian line of thought. A major revision of the *Government Account Act*, however, introduced the unified budget and abolished the capital budget in 1977.

Pros and Cons

In 1990, a parliamentary committee published a note containing questions on the issue of capital budgeting. This standing committee invited experts in the field to comment on the questions. The comments received have been published (Kamer, 1989-1990) and analyzed (Kamer, 1990-1991). The analysis shows that two principal arguments have been put forward for implementing a capital budget. The primary argument is that a capital budget improves the balance of capital outlays against current expenditure and, thus, the efficiency of the use of scarce means. Cash outlays for productive uses are coordinated with consumptive expenditure in a unified budget causing a budget bias against capital programs. A $10 million outlay to construct a building in a given year contributes to the year's deficit, the same as a $10 million outlay for fuel costs or income transfers. The capital outlay may be undervalued, since its costs are visible in the year, but not its future benefit. In a sense, it requires a capital asset to have a one-year payback to be able to compete equally with current operating programs.

Advocates of a capital budget argue that it corrects a budget bias by distributing outlays in budget reporting over the useful life of the capital investment. It avoids undervaluation of capital outlays, because the burden of spending on both consumption and investment is recorded. Capital cost, in the form of interest payments and depreciation, is recorded as expenditure on the current account, whereas the actual cash outlays are recorded on the capital budget. By assigning the annual cost of capital to the current budget, the benefit of capital outlays can be visually spread over a number of years, thereby improving the balance of capital outlays against current expenditure. In addition, the record of interest payments and depreciation outlays over a range of years would permit a better balance of capital outlays against each other, since the annual costs of different capital programs can be compared.

The second argument for a capital budget is that it provides a criterion for the method of revenue raising: loans are proper instruments for funding capital outlays, whereas levies are appropriate instruments for funding current expenditure. The underlying idea is that the implementation of a capital budget, when coupled with the norm that loans are only permitted for outlays recorded on the capital budget, improves expenditure control and budget discipline. This golden rule is thus considered an alternative for the structural budget policy pursued in the Netherlands in the 1960s and 1970s, which has been abolished because of deficient budget control, and for the "actual deficit" policy pursued in the 1980s.

Four arguments have been put forward against the possible (re)implementation of a capital budget. Essentially, they criticize the arguments in favor of a capital budget. First, it is argued that means other than a capital budget can be used to realize an efficient allocation of resources. Examples are cost-benefit analyses, the application of a full accruals basis in the budget and decentralization of budgetary management.[13] In addition, one may take the view that the quality of political decisionmaking, rather than the kind of bookkeeping utilized, determines the efficiency of the use of resources. In this view, there is nothing that prevents politicians and bureaucrats from judging current and capital outlays on their own merits. However, this does not harm the argument that a spread of the cost of capital over a range of years permits a better comparison of current expenditure and the annual cost of capital.

The second argument against a capital budget centers on the time dimension. An efficient allocation of resources would be hampered because the political benefits of expenditure are received in the present, whereas their costs are shifted to the future. A stronger tendency to spend capital outlays would be the result; and the growth of the capital budget could become uncontrollable. Essentially, this argument implies that political decisionmaking does not necessarily correspond to a rational balance of benefits and expenditures from the social point of view. Politicians take all kinds of subjective considerations into account, such as a concern about the number of votes they to win at the next election. Therefore, this argument seems valid in so far as the underlying assumption holds, that the politician's balance of expenditure differs from a rational balance for society as a whole.

A third argument against a capital budget centers on the golden rule. Effectively, this rule prevents the stabilization function of the budget from being exercised. According to the golden rule, the current budget has to be balanced, ruling out the possibility of functional finance. Consequently, the budget policy may bring about procyclical effects, since the current account has to be balanced at all times, even in the downswing. As a result, an increase of current public spending, which combats the downswing, is coupled with tax increases that reinforce the downswing. However, this objection could be met by applying the golden rule over the business cycle rather than on an annual basis. Consequently, temporary current budget deficits that merely result from cyclical causes are allowed during a downswing, whereas surpluses arise during the upswing. As a result, the current budget is balanced over the business cycle. Practice has shown, however, that pursuing such a policy is prone to a political bias in favor of a deficit, since the cyclical and structural components of economic growth are difficult to determine.

A fourth argument against a capital budget is that arbitrary decisions have to be made.(14) Obviously, spending on physical investments would be recorded on the capital budget. However, the question is how to deal with other expenditures that may also be considered investments, for instance spending on education (human capital), environment, and so on. Essentially, they bear the same characteristics as physical investments in that they yield benefits over a longer period than a year and often over a very long term. Thus, decisions on the distinction between current and capital outlays are almost by definition arbitrary. Arbitrary decisions have also to be made with regard to the distinction between current and capital outlays and with respect to the depreciation policy. Illustrative of this is that in the 1920s the Dutch government recorded guns on the capital budget and shells on the current budget, while it cut back its current expenditure by lengthening the depreciation period on guns (Zijlstra, 1993: 34). In addition, the transition from a unified budget to a budget including a distinct capital component raises the question of how deficits resulting from the past and capital outlays spent in previous years should be dealt with. One could take the view, however, that this is no reason to record on the capital budget at least those material outlays generating benefits over a period longer than a year.

Practice

Empirical evidence suggests that in Europe a unified budget is the norm. Finland and Sweden used to have a capital budget, but abolished it in the 1980s. Though in Germany there is a distinction between a current and a capital budget, it is merely an administrative artifact. In practice, Germany uses a unified (federal) budget, which is related to the constitutional requirement that public borrowing does not exceed the amount of investments included in the budget.(15) Only four European countries (Greece, Ireland, Luxembourg and Portugal) somehow make a real difference between a current and a capital budget (Kamer, 1990-1991: 36 & 46).(16) The classification of outlays appears to present a problem in all countries using a capital budget. Only after lengthy debates did more or less generally accepted definitions emerge which were later adjusted under the pressure of the topical situation.

In Greece, outlays have to contribute to productive capacity and economic growth to be recorded on the capital budget. In practice, spending on roads, buildings and infrastructure are recorded on the capital budget. Capital transfers from central government to lower level governments are only recorded on the capital budget if they pertain to specific investment projects carried out by local governments. In addition, a small part of military investment expenditure, pertaining to investments, such as radar stations, also used by the private sector, is recorded on the capital budget. The Greek criterion for distinguishing between current and capital outlays resembles the principle of productivity (or indirect return).

Ireland has used a current and capital budget system since the 1950s. The following expenditures are recorded on the capital budget:

- investments by central and local governments, semi-public sector and health boards in so far as their expected life exceeds one year;
- capital transfers and loans of central and local governments and semi-public sector bodies to third parties; and
- capital transfers related to international commitments.

In addition, these expenditures should exceed a minimum amount. Military investments are recorded as current outlays, in conformity with the national accounts system. The Irish definition of capital outlays concurs with the principle of durable benefit.

Since Luxembourg's constitution requires that the current budget is balanced, it is only permitted to borrow for those expenditures recorded on the capital budget. The criterion applied is that the investments' expected life must exceed one year. In practice, the capital budget contains special funds for investments in telecommunication, the environment and roads.

CONCLUSIONS

Apart from the classic and general functions, the budget fulfills at least three other functions (the authorization function, the internal control function, and the external control function). Though budgets have to meet a number of principles to fulfill these functions properly, two of which have been emphasized: the principle of unity and universalism and the principle of an efficient division of the budget.

Special fund accounting is associated with the principle of unity and universalism. Capital budget roponents argue for are that earmarking may contribute to an efficient allocation and that special fund accounting permits special management rules, which may protect expenditure against instable revenues, and permit shared responsibilities. Capital budget oponents argue that earmarking may introduce rigidities in the budget procedure and that special fund accounting may harm the organization of the budget and may hinder general control. In the Netherlands, a distinction can be made between "true" budgetary funds (constituted on the basis of the *Government Account Act*) and "false" budgetary funds (not based on the act). The Dutch experience shows that most of the perceived benefits of special fund accounting are questionable and that special funds often serve as political symbols.

Capital budgeting is associated with the principle of an efficient division of the budget. The issue has always been closely related to the golden rule. This budget norm implies that funding by loans is only allowed for capital outlays, whereas current expenditure ought to be funded by current receipts. This rule prevailed before World War II and faded away in the post-war era with the Keynesian revolution, but seems to have regained a growing interest in the 1990s. In Europe, a unified budget appears to be the norm. Only four European countries (Greece, Ireland, Luxembourg, and Portugal) somehow discern between a current and a capital budget. The classification of outlays appears to present a problem in all countries using a capital budget. In practice, the significance of the capital budget appears to be limited to visualizing public capital programs.

The credibility of the main argument for a capital budget, that it reinforces the allocation function of the budget, seems questionable. Ii is noted that, in practice, there is nothing to prevent politicians and bureaucrats from judging current and capital outlays on their own merits. It is difficult to accept the view that the type of bookkeeping determines the balance of expenditure. And if it does, it seems to suggest that there is something amiss with the quality of political decisionmaking rather than the bookkeeping.

Admittedly, a sound argument favoring a capital budget seems to be that the spread of the cost of capital over a range of years permits a more precise comparison of current expenditure with the annual cost of capital. However, this may also be realized by other means, such as cost benefit analyses. Thus, a formal division of the budget into a current and a capital budget is not a prerequisite for a better comparison of current with capital outlays. In addition, it is important to be conscious of the fact that a capital budget may not only reinforce the allocation function of the budget, but could also hinder it, in particular if the capital budget is coupled with the golden rule. If current expenditures have to be financed by taxes, whereas outlays recorded on the capital budget may be funded by loans, politicians and bureaucrats may widen the concept of capital outlays. All in all, the formal division of the budget seems less crucial to the allocation function than the politicians' willingness to accept a rational decisionmaking process and to take into account all relevant costs and benefits of public expenditure.

NOTES

* An earlier version of this paper was presented at the Sixth Annual Conference on Public Budgeting and Financial Management, Washington, D.C., October 13-15, 1994.

1. The term "chapters" suggests that they form part of one document, whereas each budget chapter takes the form of a separate bill.

2. In the Netherlands, e.g., the ***Government Account Act*** (art. 57) expresses three objects of efficiency research: 1) managerial efficiency; 2) organizational efficiency; 3) political efficiency. Crucial questions in this type of research are: 1) To what extent has the goal been realized? 2) What effects and/or effectivity has been brought about? 3) How efficiently has the policy been implemented?

3. According to the current act the budget also includes the budgets of public enterprises, but this will be changed in the near future. The government has proposed an amendment to abolish this provision of the law, since the only remaining public enterprise (State Mint) will be privatized in the near future (Kamer, 1993-1994). This terminology, however, may be confusing and create the wrong impression. The term privatization as applied in the

Netherlands includes corporatization. Effectively, this does not alter ownership, rather it merely changes the type of enterprise: after corporatization, the government no longer owns a public enterprise, but it is then the only shareholder of the corporation.

4. The advantage of this data base over the alternative of studying each country's relevant legal code is that the information reflects current practices rather than legal norms. The data presented on the Netherlands, however, are not completely accurate. According to table A5, e.g., special funds are included in the budget. However, the Civil Service Pension Fund -the largest special fund with fund assets worth over one third of GDP- is not included in the budget.

5. Until 1990, Portugal did so as well.

6. The data partly refer to 1990 and partly to 1991. No data were available for Luxembourg or Spain.

7. Since 1993 this number has been changed by the abolition of existing funds and the constitution of new funds. As a result, the number of true budgetary funds amounts to six for 1995.

8. An inventory of budgetary funds by the Dutch General Accounting Office has led to the conclusion that 42 funds were in existence in 1994, including 5 "true" budgetary funds (Rekenkamer, 1995: 20). Since these numbers had not been specified by the U. S. General Accounting Office (GAO), the apparent difference with the numbers provided by Goudswaard and Van de Kar (1993) cannot be explained.

9. A capital component within the budget has been proposed for the U. S. federal budget by the GAO (1988). This proposal was put forward against the background of a mounting federal deficit, which was widely viewed as the nation's number one fiscal problem. The GAO considered the unified budget a seriously deficient tool to reduce that deficit.

10. This golden rule should be distinguished from the "golden rule of accumulation" referring to the growth path yielding the highest future consumption (Phelps, 1961).

11. The discussion about optimal stabilization policy has never ended. This discussion centers on the question: Is it possible to stabilize the economy by a discretionary monetary and fiscal policy, as Keynesians believe, or is it better to stick to well-known precommitted rules, as monetarists and neo-classical economists propose? Though it is difficult to come to a decisive conclusion, it is obvious that an active fiscal policy is beset with many difficulties (Boorsma, 1990: 195).

12. For a description of this policy, see Burger (1975).

13. Under this basis outgoings have to be allocated to the period in which the resources concerned are actually consumed, while receipts are generally allocated to the period in which they become available.

14. GAO (1993b) states that to develop and enforce a definition of investment, an agreement could be reached between the executive and legislative branches, thereby clearly illustrating the arbitrary character of the definition.

15. The German constitution allows an exception if the macroeconomic balance has been upset, which is an elastic concept. In practice, Germany uses an expenditure norm and the golden rule plays some role in the background (Kamer, 1992-1993: 49).

16. Denmark and Italy publish an investment program simultaneously with the budget, thereby visualizing large capital outlays separately from the budget.

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